

Brooks Township
Newaygo County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2008

Brooks Township

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As management of Brooks Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Brooks Township for the fiscal year ended March 31, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The Township's General Fund fund balance increased by \$69,571.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Brooks Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of Brooks Township include general government, public works, and culture and recreation activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Brooks Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Brooks Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Improvement Revolving Fund and Budget Stabilization Fund, which are considered major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the Township's major funds.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Brooks Township for the last two years. Current assets increased along with an increase in unrestricted net assets. Current liabilities increased due to an increase in accrued payroll. The Township's net assets from governmental activities totaled \$2,084,500. The net assets are comprised of two parts, invested in capital assets of \$1,126,380, which represent the net investment the Township has in capital asset less accumulated depreciation. The balance of the net assets is unrestricted.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$958,120. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Current assets and other assets	\$ 970,483	\$ 871,539
Capital assets	1,126,380	1,128,397
Total assets	2,096,863	1,999,936
Current liabilities	12,363	-
Net assets		
Invested in capital assets	1,126,380	1,128,397
Unrestricted	958,120	871,539
Total net assets	\$ 2,084,500	\$ 1,999,936

Governmental Activities

Governmental activities net assets increased by \$84,564 during the 2008 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenses, resulting in an increase in net assets. Public works expenses increased due to additional road work being completed. Community and economic development decreased due to completion of the master plan in the prior year.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues		
Program revenues		
Charges for services	\$ 78,012	\$ 82,260
General revenues		
Property taxes	96,596	93,401
Franchise fees	22,386	21,131
Grants and contributions not restricted	252,748	255,376
Unrestricted investment earning	40,388	34,900
Miscellaneous	17,999	17,376
Total revenues	508,129	504,444
Expenses		
General government	278,978	279,033
Public works	74,068	54,220
Community and economic development	68,499	77,844
Culture and recreation	2,020	3,075
Total expenses	423,565	414,172
Change in net assets	84,564	90,272
Net assets - Beginning	1,999,936	1,909,664
Net assets - Ending	\$ 2,084,500	\$ 1,999,936

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Brooks Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The General Fund had an increase in fund balance of \$69,571. This increase was primarily the result of revenues ending the year higher than anticipated and public works expenditures coming in under budget as a result of not completing all anticipated projects.

The other major funds are the Improvement Revolving Fund and the Budget Stabilization Fund. These funds both had increase in fund balance due entirely to investment earnings.

General Fund Budget

During the current fiscal year, the Township made a couple of budget amendments. The Board budget was increased for additional legal fees. The clerk budget was increased for unanticipated additional wages. These budget increases were offset by decreasing the public works budget due to not completing all of the anticipated projects.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- State revenue sharing was less than anticipated.
- Investment earnings ended higher than anticipated due to higher rates and a conservative budget amount.
- Public works was under budget due to not completing all anticipated projects.

Capital Assets

Brooks Township investment in capital assets for its governmental activities as of March 31, 2008 totaled \$1,126,380 (net of accumulated depreciation). The only significant fixed asset addition during the year was a new telephone system. This investment in capital assets includes land, construction in progress, buildings, land improvements, and office equipment.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities 2008	Governmental Activities 2007
Land	\$ 982,959	\$ 982,959
Construction in progress	1,779	-
Buildings and improvements	134,138	138,223
Furniture and equipment	7,504	7,215
Total	<u>\$ 1,126,380</u>	<u>\$ 1,128,397</u>

Additional information on the Township's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

General Economic Overview

The Township's 2009 General Fund budget anticipates a decrease in fund balance of \$158,000. This decrease is due primarily to an increase in anticipated road work. The Township also expects to maintain a high level of expenditures for road work for the next few years. The Township expects property tax revenues to increase slightly and State of Michigan revenues to remain flat.

Requests for Information

This financial report is designed to provide a general overview of Brooks Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Brooks Township, P.O. Box 625, Newaygo, MI 49337, (231) 652-6763.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

June 26, 2008

Township Board
Brooks Township
Newaygo, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Brooks Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brooks Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brooks Township, as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - v and 18 - 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Brooks Township
STATEMENT OF NET ASSETS
March 31, 2008

ASSETS

	<u>Governmental activities</u>
CURRENT ASSETS	
Cash and investments	\$ 849,701
Receivables	21,803
Due from other governmental units	<u>98,979</u>
Total current assets	970,483
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	984,738
Depreciable	<u>141,642</u>
Total noncurrent assets	<u>1,126,380</u>
Total assets	2,096,863
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accrued liabilities	<u>12,363</u>
NET ASSETS	
Invested in capital assets	1,126,380
Unrestricted	<u>958,120</u>
Total net assets	<u><u>\$ 2,084,500</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2008

		Program Revenue	Net (Expense) Revenue and Changes in Net Assets
<i>Functions/Programs</i>	<u>Expenses</u>	<u>Charges for services</u>	<u>Governmental activities</u>
Governmental activities			
General government	\$ 278,978	\$ 66,999	\$ (211,979)
Public works	74,068	6,416	(67,652)
Community and economic development	68,499	4,597	(63,902)
Culture and recreation	<u>2,020</u>	<u>-</u>	<u>(2,020)</u>
Total	<u>\$ 423,565</u>	<u>\$ 78,012</u>	(345,553)
General revenues			
Property taxes			96,596
Franchise fees			22,386
Grants and contributions not restricted to specific programs			252,748
Unrestricted investment earnings			40,388
Miscellaneous			<u>17,999</u>
Total general revenues			<u>430,117</u>
Change in net assets			84,564
Net assets at April 1, 2007			<u>1,999,936</u>
Net assets at March 31, 2008			<u>\$ 2,084,500</u>

The accompanying notes are an integral part of this statement.

Brooks Township
BALANCE SHEET
 Governmental Funds
 March 31, 2008

	General Fund	Improvement Revolving Fund	Budget Stabilization Fund	Total governmental funds
ASSETS				
Cash and investments	\$ 511,522	\$ 209,274	\$ 128,905	\$ 849,701
Receivables				
Accounts	11,355	-	-	11,355
Property taxes	10,448	-	-	10,448
Due from other governmental units	98,979	-	-	98,979
Total assets	<u>\$ 632,304</u>	<u>\$ 209,274</u>	<u>\$ 128,905</u>	<u>\$ 970,483</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accrued liabilities	\$ 12,363	\$ -	\$ -	\$ 12,363
Fund balances				
Reserved for capital projects	-	209,274	-	209,274
Unreserved				
Undesignated, reported in				
General Fund	619,941	-	-	619,941
Special revenue fund	-	-	128,905	128,905
Total fund balances	<u>619,941</u>	<u>209,274</u>	<u>128,905</u>	<u>958,120</u>
Total liabilities and fund balance	<u>\$ 632,304</u>	<u>\$ 209,274</u>	<u>\$ 128,905</u>	<u>\$ 970,483</u>

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2008

Total fund balance—governmental funds	\$	958,120
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,216,855		
Accumulated depreciation	<u>(90,475)</u>		<u>1,126,380</u>

Net assets of governmental activities in the Statement of Net Assets	\$	<u><u>2,084,500</u></u>
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The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2008

	General Fund	Improvement Revolving Fund	Budget Stabilization Fund	Total governmental funds
REVENUES				
Property taxes	\$ 96,596	\$ -	\$ -	\$ 96,596
Licenses and permits	28,114	-	-	28,114
Intergovernmental revenues				
State	252,748	-	-	252,748
Local	5,000	-	-	5,000
Charges for services	65,868	-	-	65,868
Investment earnings	23,378	11,264	5,746	40,388
Other	19,415	-	-	19,415
Total revenues	491,119	11,264	5,746	508,129
EXPENDITURES				
Current				
General government	269,227	-	-	269,227
Public works	74,068	-	-	74,068
Community and economic development	68,499	-	-	68,499
Culture and recreation	3,799	-	-	3,799
Capital outlay	5,955	-	-	5,955
Total expenditures	421,548	-	-	421,548
Net change in fund balances	69,571	11,264	5,746	86,581
Fund balances at April 1, 2007	550,370	198,010	123,159	871,539
Fund balances at March 31, 2008	\$ 619,941	\$ 209,274	\$ 128,905	\$ 958,120

The accompanying notes are an integral part of this statement.

Brooks Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2008

Net change in fund balances—total governmental funds	\$	86,581
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(8,691)	
Capital outlay		<u>6,674</u>	<u>(2,017)</u>
Change in net assets of governmental activities	\$		<u><u>84,564</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Tax Collection Fund
March 31, 2008

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ <u><u> -</u></u>
LIABILITIES	
Due to other governmental units	\$ <u><u> -</u></u>

The accompanying notes are an integral part of this statement.

Brooks Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Brooks Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a common law township governed by an elected five-member board. Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Improvement Revolving Fund is used to accumulate assets for infrastructure projects.

The Budget Stabilization Fund is used to accumulate assets to be used to provide resources to the General Fund when needed.

Additionally, the Township reports the following fund type:

The fiduciary fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$121,275,000. The ad valorem taxes levied consisted of .7890 mills for the Township's operating purposes. This amount is recognized in the General Fund.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Land improvements	20
Furniture and equipment	5-10

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
 March 31, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

NOTE C—DEPOSITS AND INVESTMENTS

As of March 31, 2008, the Township had the following investments:

Investment Type	<u>Fair value</u>	<u>Weighted average maturity (Months)</u>	<u>Moody's</u>	<u>Percent</u>
Money Market Mutual Fund	\$ 251,259	1	not rated	36 %
Negotiable Certificate of Deposits	<u>445,000</u>	<u>24</u>	Aaa	<u>64</u>
Total fair value	<u>\$ 696,259</u>			<u>100 %</u>
Portfolio weighted average maturity		<u>16</u>		

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Interest rate risk. The Township investments policy limits investment maturities to three years. This policy is used as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township has more than 5 percent of its investments in the following securities:

Security	Percent of Total Investments
Independent Bank Money Market Mutual Fund	36.1%
Mercantile Bank of Grand Rapids Negotiable Certificate of Deposit	7.2%
North Star Bank of Bad Axe Negotiable Certificate of Deposit	7.5%
North Star Bank of Bad Axe Negotiable Certificate of Deposit	5.7%
Huntington Bank of Columbus Negotiable Certificate of Deposit	7.5%
Main Street Bank of Northville Negotiable Certificate of Deposit	7.5%
Flagstar Bank of Troy Negotiable Certificate of Deposit	14.4%
Citizens Bank of Flint Negotiable Certificate of Deposit	14.1%

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$63,355 of the Township's bank balance of \$184,556 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 982,959	\$ -	\$ -	\$ 982,959
Construction in progress	<u>-</u>	<u>1,779</u>	<u>-</u>	<u>1,779</u>
Total capital assets, not being depreciated	982,959	1,779	-	984,738
Capital assets, being depreciated:				
Land improvements	9,532	-	-	9,532
Buildings and improvements	169,107	-	-	169,107
Furniture and equipment	<u>54,032</u>	<u>4,895</u>	<u>5,449</u>	<u>53,478</u>
Total capital assets, being depreciated	232,671	4,895	5,449	232,117
Less accumulated depreciation:				
Land improvements	3,665	378	-	4,043
Buildings and improvements	36,751	3,707	-	40,458
Furniture and equipment	<u>46,817</u>	<u>4,606</u>	<u>5,449</u>	<u>45,974</u>
Total accumulated depreciation	<u>87,233</u>	<u>8,691</u>	<u>5,449</u>	<u>90,475</u>
Total capital assets, being depreciated, net	<u>145,438</u>	<u>(3,796)</u>	<u>-</u>	<u>141,642</u>
Capital assets, net	<u><u>\$ 1,128,397</u></u>	<u><u>\$ (2,017)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,126,380</u></u>

Depreciation

Depreciation expense was charged to the general governmental function.

NOTE E—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk by participating in the Michigan Township Participation Plan (MMTP), a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium to MMTP for its insurance coverage. The MMTP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Brooks Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE E—OTHER INFORMATION—Continued

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

Jointly Governed Entity

The Township is a member of the Chain of Lakes Area Utility Authority (Authority). The Township appoints two members to the Authority's governing board, which then approves the annual budget. The purpose of the Authority is to acquire, own, construct and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing six members. The participating communities are Brooks, Everett and Garfield townships. The Authority has outstanding debt of approximately \$5,900,000. The aforementioned townships have guaranteed the debt of the Authority in the event that the Authority is unable to make the debt payments. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Chain of Lakes Area Utility Authority, P.O. Box 456, White Cloud, MI 49349.

NOTE F—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Township utilizes John Hancock Retirement Plans to provide this benefit and is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2008, pension expenditures were approximately \$7,200 including certain fees.

NOTE G—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 51 percent of General Fund revenues.

NOTE H—COMMITMENTS

The Township had committed to rebuild a portion of Oak Avenue. The project is estimated to cost approximately \$130,000.

REQUIRED SUPPLEMENTARY INFORMATION

Brooks Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 90,665	\$ 90,665	\$ 96,596	\$ 5,931
Licenses and permits	18,600	18,600	28,114	9,514
Intergovernmental revenues				
State	263,500	263,500	252,748	(10,752)
Local	7,500	7,500	5,000	(2,500)
Charges for services	59,600	59,600	65,868	6,268
Fines and forfeitures	500	500	-	(500)
Investment earnings	9,600	9,600	23,378	13,778
Other	13,000	13,000	19,415	6,415
Total revenues	<u>462,965</u>	<u>462,965</u>	<u>491,119</u>	<u>28,154</u>
EXPENDITURES				
Current				
General government				
Township board	102,340	112,340	106,197	6,143
Supervisor	24,171	24,171	20,302	3,869
Elections	4,820	4,820	2,752	2,068
Board of review	1,870	1,870	2,279	(409)
Clerk	27,945	35,060	36,584	(1,524)
Treasurer	41,770	41,770	42,043	(273)
Assessor	26,750	26,750	25,490	1,260
Township hall	31,805	31,805	33,580	(1,775)
Public works				
Infrastructure and projects	57,494	40,379	15,807	24,572
Roads	180,000	180,000	58,261	121,739
Community and economic development				
Planning commission	28,245	28,245	22,445	5,800
Other planning and zoning activities	45,755	45,755	46,054	(299)
Culture and recreation	5,000	5,000	3,799	1,201
Capital outlay	10,000	10,000	5,955	4,045
Total expenditures	<u>587,965</u>	<u>587,965</u>	<u>421,548</u>	<u>166,417</u>
Net change in fund balance	\$ <u>(125,000)</u>	\$ <u>(125,000)</u>	69,571	\$ <u>194,571</u>
Fund balance at April 1, 2007			<u>550,370</u>	
Fund balance at March 31, 2008			<u>\$ 619,941</u>	

Brooks Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Budget Stabilization Fund
For the year ended March 31, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u></u>
REVENUES				
Investment earnings	\$ 2,000	\$ 2,000	\$ 5,746	\$ 3,746
EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	\$ <u>2,000</u>	\$ <u>2,000</u>	5,746	\$ <u>3,746</u>
Fund balance at April 1, 2007			<u>123,159</u>	
Fund balance at March 31, 2008			<u>\$ 128,905</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2008

Township Board
Brooks Township
Newaygo, Michigan

In planning and performing our audit of the financial statements of Brooks Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Brooks Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Brooks Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Brooks Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal controls, including the possibility of management override of controls, misstatement due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: The procedures for investment earnings allocations should be improved.

During our testing, we noted investment earnings were not properly allocated and recorded in the correct funds.

The proper allocation of investment earnings would help ensure that investment earnings and investment balances are properly reflect in the Township's interim financial statements.

Recommendation 2: The procedures for closing the year end accounting records should be improved.

During our testing, we proposed a number of year end journal entries related to closing the Township accounting records. Adjusting journal entries were proposed in the accounts receivable, due from other governmental units and accrued liability areas.

The use of a year end closing checklist would help ensure that all year end adjustments are made. This checklist would include a number of procedures to identify items requiring adjustment and procedures to ensure that these adjustments are recorded.